

SUMMARY ANALYSIS OF AMENDED BILL

Author: Mullin/Ruskin Analyst: Rachel Coco Bill Number: AB 1282
 Related Bills: See Prior Analysis Telephone: 845-4328 Amended Date: January 23, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Employer Child Care Program Credit/Employer Child Care Contribution Credit/Extend Repeal Date to 2012

____ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.
 ____ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
 ____ AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.
 ____ FURTHER AMENDMENTS NECESSARY.
 ____ DEPARTMENT POSITION CHANGED TO _____.
 ____ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED
X January 4, 2006, STILL APPLIES.
 ____ OTHER – See comments below.

SUMMARY

This bill would extend the availability of the Employer Child Care Program Credit and the Employer Child Care Contribution Credit for five taxable years.

SUMMARY OF AMENDMENTS

The January 23, 2006, amendments added language that would require employers claiming the Employer Child Care Contribution Credit to provide the number of children belonging to the employer, such as the principles of the business entity, as well as the number of children belonging to employees that are served by the childcare plan. The amendments would also require the Franchise Tax Board (FTB) to report to the Legislature by January 1, 2011, on the effectiveness of both credits.

As a result of the amendments, the "This Bill" portion of the department's analysis of the bill as amended January 4, 2006, has been revised. In addition, the department has identified a "Technical Concern," which is included below. The remainder of the analysis dated January 4, 2006, still applies.

| Board Position: <u> </u> S <u> </u> NA <u> </u> NP <u> </u> SA <u> </u> O <u> </u> NAR <u> </u> N <u> </u> OUA <u> X </u> PENDING | <table> <tr> <th data-bbox="941 1782 1331 1827">Legislative Director</th><th data-bbox="1331 1782 1557 1827">Date</th></tr> <tr> <td data-bbox="941 1827 1331 1957">Brian Putler</td><td data-bbox="1331 1827 1557 1957">03/02/06</td></tr> </table> | Legislative Director | Date | Brian Putler | 03/02/06 |
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| Legislative Director | Date | | | | |
| Brian Putler | 03/02/06 | | | | |

POSITION

Pending.

THIS BILL

Both the Employer Child Care Program Credit and the Employer Child Care Contribution Credit are unavailable for taxable years beginning on or after January 1, 2007, and will be automatically repealed on December 1, 2007.

This bill would extend the availability of the Employer Child Care Program Credit and the Employer Child Care Contribution Credit to taxable years beginning on or after January 1, 2007, and before January 1, 2012. The bill would revise the automatic repeal date for both credits to December 1, 2012.

This bill would specify that to qualify for the Employer Child Care Contribution Credit employers must indicate how many children in the qualified child care plan belong to the employer, in addition to how many children belong to employees.

This bill would also require FTB to provide a report to the Legislature on the usage of both credits. Specifically, the report would contain the following:

- The dollar amount of the credits claimed annually,
- The number of child care facilities established or constructed by taxpayers claiming the Child Care Program Credit, and
- The number of children of employees served by the childcare plan for which the taxpayer claimed the Child Care Contribution Credit.

The report would be due to the Legislature on or before January 1, 2011.

TECHNICAL CONSIDERATIONS

This bill would require taxpayers claiming the Child Care Contribution Credit to include the number of employers' children served by the child care facility. The bill would require FTB to report to the Legislature the number of employees' children served by the child care facility. Since the report would be based on information provided by the taxpayer the terms should be consistent. The author's staff has indicated that the term should be "employers'." Amendments 1 and 2 have been provided to resolve this concern.

PROGRAM BACKGROUND

The combined annual usage of Employer Child Care Program Credit and the Employer Child Care Contribution Credit is as follows:

| Tax Year | Total Amount Of Credit Claimed | Number of Taxpayers | Average Credit Amount |
|----------|--------------------------------|---------------------|-----------------------|
| 2003 | \$4,134,416 | 5131 | \$806 |
| 2002 | \$4,417,288 | 5064 | \$872 |
| 2001 | \$3,658,000 | 4942 | \$740 |
| 2000 | \$2,937,000 | 4710 | \$624 |
| Average | \$3,786,676 | 4962 | \$760 |

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENT TO AB 1282
As Amended January 23, 2006

AMENDMENT 1

On page 7, line 10, ~~strikeout~~ employees and insert:
employers'

AMENDMENT 2

On page 12, line 20, ~~strikeout~~ employees and insert:
employers'